



COMMON MARKET FARM REPORT

BELGIUM, FRANCE, GERMAN FEDERAL REPUBLIC, ITALY, LUXEMBOURG, THE NETHERLANDS

EEC COMMISSION PROPOSES INDEPENDENT REVENUES FOR FINANCING EUROPEAN AGRICULTURAL POLICY

The Commission of the European Economic Community submitted to the Council of Ministers April 1 a proposed regulation for financing the common agricultural policy of the EEC.

The Council requested this proposal in its meeting of December 15, 1964, when it was decided that from July 1, 1967, all expenditures in the grains, pigmeat, eggs and poultry sectors would be financed by the European Agricultural Guidance and Guarantee Fund (EAGGF) of the EEC.

Expenses of the common agricultural policy are presently administered under Regulation 25 passed by the Council of Ministers on January 14, 1962; however, financing and revenue provisions of this regulation expire on June 30 of this year.

EAGGF TO ASSUME ALL COSTS

In its proposed regulation, which if approved by the Council would become effective July 1, 1965, the Commission has recommended a gradual increase of Community financing in agriculture from 1965 to 1967. After July 1, 1967, for which date the Commission has urged full implementation of the common agricultural policy, the EAGGF would assume all expenses, including market interventions, export subsidies, and guidance measures.

This action would coincide with the creation of a single market for all agricultural products under the jurisdiction of the Community, two and one-half years before such a move is foreseen by the Rome Treaty establishing the EEC.

OPERATION OF AGRICULTURAL FUNDS

The financing operations of the EAGGF are divided into two sections, guarantee and guidance. The

former includes expenses for export refunds in trade with third countries and interventions on the Community market.

The export refunds are calculated on the basis of net exports and of the refund rate of the EEC member state with the lowest average refund. Market interventions take the form of purchasing and stocking of quantities of products which the market cannot absorb without price reductions below an intervention level determined in advance by the Council.

The guidance section helps finance measures to increase productivity in agriculture through technical progress, rational development of output, and optimum use of production factors, particularly manpower.

ROLE OF EEC FINANCING

For the years 1962-65, the EAGGF financed the guarantee and guidance operations in increasing proportions, the member countries paying directly in decreasing proportions. The Fund's contribution to eligible expenditures in 1962-63 was 1/6 and in 1963-64, 2/6. In the present marketing year, the Fund provides 3/6 of the expenses while member states pay for the other 3/6 themselves.

This issue of the Common Market Farm Report is devoted to the regulation proposed by the EEC Commission for financing the common agricultural policy. The regulation has been sent to the Council of Ministers which has forwarded it to the European Parliament for an opinion.

The Fund's operations cover the guidance section, regardless of products involved. For the guarantee section, only those products for which there is a common market organization are eligible. The products concerned were, as of 1962, cereals, pigmeat, eggs and poultry. Dairy produce, beef and veal, rice and fats were added in 1964. Community financing in the guarantee section will be extended soon to fruits and vegetables, durum wheat, and tobacco.

Table 1 shows the amounts spent in each country from 1962 to 1965 for the guarantee section, and Table 2 indicates the percentages of expenditures for the individual products. Table 3 gives the total expenses of the EAGGF for these years, including the guidance sector.

In its new proposal the Commission has recommended that, until July 1, 1967, the proportion of common agricultural expenses paid by the EAGGF be increased gradually, from the present 3/6 to 4/6 in 1965-66 and 5/6 in 1966-67. The proportion which the member states themselves would pay directly from their own budgets would decrease to 2/6 in 1965-66 and to 1/6 in 1966-67..

POLICY FORESEEN AFTER JULY 1, 1967

After July 1, 1967, the Commission has proposed that all agricultural operations in the guarantee section be financed by the Community, under the condition that these operations are part of established Community policy, i.e. for products under EEC market organizations.

Table 1

Expenditures of the EAGGF in each Member Country, 1962-1965, for Guarantee Section (Figures for 1962/64 based on reimbursement requests; Figures for 1964/65 are budgetary estimates.) (value in millions of \$'s)

Country	Export Subsidies		Market Interventions		Total Guarantee Section	
	Value	% of Total Received	Value	% of Total Received	Value	% of Total Received
<u>Germany</u>						
1962/63	-	-	1.791	27,8	1.791	6,3
1963/64	-	-	2.632	26,4	2.632	4,8
1964/65	-	-	6.500	18,5	6.500	4,-
<u>France</u>						
1962/63	21.174	96,4	3.245	50,3	24.419	86,-
1963/64	40.947	91,-	5.892	59,1	46.839	85,3
1964/65	95.900	72,7	16.100	46,-	112.000	67,-
<u>Italy</u>						
1962/63	-	-	.927	14,3	.927	3,3
1963/64	-	-	.704	7,1	.704	1,3
1964/65	1.900	1,4	9.100	26,-	11.000	6,6
<u>Netherlands</u>						
1962/63	.622	2,9	.337	5,2	.959	3,4
1963/64	3.685	8,2	.692	6,9	4.377	7,8
1964/65	32.700	24,8	2.400	6,9	35.100	21,-
<u>Belgium - Luxembourg</u>						
1962/63	.157	0,7	.153	2,4	.310	1,1
1963/64	.336	0,8	.051	0,5	.387	0,7
1964/65	1.500	1,1	.900	2,6	2.400	1,4
Total <u>Guarantee</u> Expenditures of the EAGGF, 1962-1965						
<u>Community</u>	Value	% of Guarantee Section	Value	% of Guarantee Section	Value	% of Guarantee Section
1962/63	21.953	77,3	6.453	22,7	28.400	100,-
1963/64	44.969	81,8	9.971	18,2	54.900	100,-
1964/65	132.000	79,-	35.000	21,-	167.000	100,-

Table 2

Percentage of Expenditures of Guarantee Section for Individual Products, 1962 - 1965

	<u>Grains</u>	<u>Pigmeat</u>	<u>Eggs</u>	<u>Poultry</u>	<u>Milk</u>	<u>Beef</u>	<u>Rice</u>	<u>Olive Oil</u>
1962/63	97.0%	0.2%	1.9%	0.9%	-%	-%	-%	-%
1963/64	92.1	4.8	1.7	1.4	-	-	-	-
1964/65	58.7	4.2	0.9	0.6	29.3	0.3	1.2	4.8

Table 3

Total Expenditures of EAGGF, 1962 - 1965

(in millions of \$'s)

	<u>1962/63</u>	<u>1963/64</u>	<u>1964/65</u>	<u>Total</u>
Guarantee Section	28.4	55	167	250.4
Guidance Section	9.5	18.3	56	83.8
Total	37.9	73.3	223	334.2

The Commission has recommended that one-third of EAGGF expenditures be used for the guidance section which would include adaptation and improvement of conditions of production, the development of markets for agricultural goods, and better commercialization of farm products, e.g. through encouragement of cooperatives. However, guidance expenditure, according to the Commission's proposal, would have to be at least equal each year to the average appropriations of the preceding two years, thus making the amount of these expenditures independent of reductions in the guarantee section.

When the Community financing is fully in effect, it is expected that annual expenditure for the agricultural policy will amount to approximately \$1.3 billion, of which \$1 billion will be for guarantee operations and \$.3 billion for guidance measures. In addition, Community funds totaling \$44 million will be granted to Germany, Italy, and Luxembourg between 1967 and 1970 as compensation to farmers for reduced grain prices.

CURRENT SOURCE OF FUNDS

Regulation 25 of 1962 established the sources of funds for the EAGGF which for the years 1962-65 came from EEC member state contributions. It was decided that 80 per cent of the contributions would be paid according to the scale in article 200(1) of the Rome Treaty and 20 per cent in proportion to the value of each member state's net agricultural imports from non-member countries. The value of these imports was computed for each common market organization.

PROPOSED RESOURCES FOR EAGGF

For the period, July 1, 1965, to July 1, 1967, the Commission has proposed that the Fund would acquire its resources from the member countries in the following percentages:

	<u>1965/66</u>	<u>1966/67</u>
Belgium	7.96%	7.96%
Germany	32.35	30.59
France	32.35	30.59
Italy	18.00	22.00
Luxembourg	0.22	0.22
Netherlands	9.12	8.64
	<u>100.00%</u>	<u>100.00%</u>

The percentages for Italy, Luxembourg, and Belgium have already been approved by the Council on December 15, 1964. The proposed percentages for the other three countries must still be agreed upon.

PROCEEDS OF AGRICULTURAL LEVIES

In another proposal the Commission dealt with the sources of funds for financing the agricultural policy after July 1, 1967. Regulation 25 stipulates that when the single agricultural market is in existence, the proceeds of all agricultural levies shall accrue to the Community. These levies will be placed on agricultural imports from non-member countries whose c.i.f. prices are below established threshold prices of products for which there is a market organization in the EEC. At present, levy proceeds go into the treasuries of the member states.

It has been anticipated by the Commission that levies would not suffice to finance the common agricultural policy and that additional funds would be necessary even after the end of the transition period.

CUSTOM DUTIES TO BE INCLUDED

The Commission has therefore proposed that proceeds from both agricultural levies and customs duties on industrial products go into the Community treasury to finance all Community expenditures, including the common agricultural policy.

Eventual total revenue from levies and duties combined is estimated at \$2.3 billion.

The Commission points out, as justification for this proposal, that, as the customs union for industrial and agricultural products nears completion, the place where levies and customs duties are collected will correspond less and less with that at which the imported goods are consumed. In other words, the place of importation will depend on port and transportation facilities and not on the levels of levies and customs duties which will be the same for all six countries. Thus it is illogical, the Commission says, that these revenues go into the individual countries' treasuries.

SCHEDULE FOR NEW REVENUES

Under the Commission proposal all levy proceeds and a percentage of customs duties would flow into the Community treasury as of July 1, 1967. The percentage of customs revenue would be increased until 1972 when all duties would accrue to the Community. The Community would then be independent of budgetary contributions from member states for all its expenditures, of which agricultural costs will be the major part.

In view of these broad proposals, the Commission has also recommended to the Council several changes in the Rome Treaty enabling the European Parliament to have powers of control over the Community budget. In addition, the Commission will soon submit proposals to ensure Community control over the national agencies responsible for carrying out the common agricultural policy in the member countries.

GATT Agricultural Timetable Set

The Trade Negotiation Committee of the General Agreement on Tariffs and Trade reached agreement in Geneva in March on the negotiation procedure for agricultural products in the Kennedy Round.

The breakthrough came as a result of an understanding between the two major agricultural trading partners, the United States and the European Economic Community, based on a proposal by E. Wyndham White, Secretary-General of the GATT.

The Committee agreed to the submission of specific offers for negotiation on individual products according to the following timetable:

- * For grains, proposals and concrete offers will be submitted by April 26, including all elements which are to enter into negotiations. The actual negotiations on grains will then begin May 17.
- * For other farm products, including milk products and meat, September 16 is the date by which offers for negotiations are to be submitted.
- * Presentation of each country's measures of support and protection and discussion of the various systems will begin on May 3.

Until now the agricultural negotiations have lagged behind the industrial talks in the Kennedy Round, and no definite schedule for agriculture could be established.

New Products Added to Farm Policy

Three more products have been brought under the common agricultural policy of the EEC. In regulations of November 17, 1964 and January 26, 1965, the Council of Ministers extended the policy to asparagus, cucumbers, and garlic and established common quality standards for these products as foreseen under the measures for fruits and vegetables.

For the first two products the regulation came into force on January 1, 1965. For garlic, June 1, 1965 is the target date.

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